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History repeats itself

[New York]

[1914]

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History repeats itself. Curious financial coincidences, September 1814,  
September, 1914. [New York, 1914]

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 2-26-97

INITIALS: MS

TRACKING #: 21781

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President's Office G.

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Bankers

# History Repeats Itself

Curious Financial Coincidences

September 1814

September 1914



Seal of the Manhattan Company since 1799

**T**HE Minutes of the Board of Directors of this Bank during August and September, 1814, record a business and financial condition so similar to that which now prevails, exactly 100 years later, that we have thought certain portions of these minutes of sufficient interest to print them in pamphlet form.

BANK OF THE  
MANHATTAN COMPANY

30 April 1920 J.W.

**I**N 1814 the United States passed through the most serious phase of its war with England, commonly called the War of 1812, which began in that year and lasted until February, 1815.

On Monday, August 22nd, 1814, committees from all the Banks of New York City attended the first general conference ever held by a group of American Banks to meet a crisis caused by war.

They met at the office of the Bank of the Manhattan Company, No. 40 Wall Street, and organized. They met again at the same place on August 25th, while the City of Washington was still burning after being invested by the British, and considered the following resolution of "a meeting of merchants and traders of the City of New York":

SPECIE  
PAYMENTS

"Resolved that a committee of seven persons be appointed to wait on the Directors of the respective banks of this City, and request of them that they will suspend their payments of specie on the 25th, and that this meeting pledge themselves to receive bank paper in payment as usual."

In reply the General Committee of Banks passed the following resolutions:

"Resolved unanimously that in the opinion of this meeting there does not exist any necessity for a suspension of payments in specie.

"Resolved that it is the duty of the banks to make every effort and every necessary sacrifice, to continue their payments in specie, and that with a continuance of the public confidence, it is the unanimous opinion of this meeting that there is no doubt they will be able to do so."

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At the next meeting of the General Committee, on August 27th, the spirit of co-operation among

American bankers was evidenced in the following resolution:

"Resolved that if any Bank shall be called upon for a payment of specie beyond its present ability to pay, every aid shall be given by the other institutions, consistent with their own safety."

SETTLEMENT  
OF BALANCES  
BETWEEN  
BANKS

At this same meeting the General Committee also prepared regulations for the settlement of balances between banks to become effective September 1, 1814. The financial strain had evidently increased, and in spite of the strong effort to maintain specie payments, they had been suspended. The regulations are especially interesting. They make it evident that exactly 100 years ago, during our own war with Great Britain and the Napoleonic wars in Europe, the New York Banks found it necessary to work out an emergency system for settling their daily balances. This, without doubt, was the precursor of the system of Clearing House Loan Certificates, which, since the formation of the New York Clearing House in 1853, has been used in several crises, and is in effect at the present moment.

The regulations were as follows:

"1—That the Banks in the City of New York will continue to receive each other's notes in payment of all bills and in deposits.

"2—That they will continue to receive in payment from the public and from each other, as they have heretofore done, the notes of all Banks out of the City for the redemption of which adequate funds shall be placed in a Bank in the City and that a credit in a Bank in the City shall be considered as constituting such a fund. Provided the exchange is made daily, and provided the sum sent by any one Bank shall not exceed \$2,000 of any one Country Bank. Remittances from Country Banks to be reported before they are finally received.

"3—That exchanges shall continue to be made every morning as usual and interest at the rate of 7 per cent. per annum shall be charged on the balance appearing due after the exchange from one bank to another, and not to be varied until the next morning's exchange. Interest to commence on the 1st of September.

"4—That any debt which shall so become due from one Bank to another shall be considered as entitled to be discharged after three months' notice, in specie, or in what the General Committee shall consider as equivalent, and in preference to any other debt due by the Institution; any Bank shall be at liberty at any time to discharge the debt, or a part of it, by a payment in specie.

"5—That, in the opinion of this meeting, the necessity of payments in specie formed a salutary and a principal check against an inordinate emission of notes and that check being by the unfortunate situation of affairs for the present removed, it has become highly expedient to guard as much as possible against the evil by other means; therefore it is agreed, that the Banks pledge themselves, to each other and to the public, that no Bank shall *encrease* its present amount of loans without the consent of the General Committee, unless it is upon the whole a creditor Bank, and its present loans do not amount to 50 per cent. above its capital paid, in which case it may encrease its loans to that amount.

"That any Bank which is upon the whole a debtor Bank shall be bound to *reduce* its loans, upon a requisition from the General Committee. Provided, nevertheless, that these restrictions shall not extend to the amount which any bank is now obliged by law to lend to the State, nor to the sums which it may be thought necessary to lend to the Corporation for the defense of the City.

"6—The Cashiers of the several banks shall on Tuesday in every week make reports to each other of the gross amount of bills and notes discounted, of loans and of all debts bearing interest, stating separately, the balances due by Banks in this City and of the amount of specie and available means on hand—such communications to be reported, in strict confidence to the General Committee, but in no case to the Boards of Directors at large.

"7—That a general meeting shall be held on Wednesday in every week at 12 o'clock—that all votes shall be by banks, and that Five banks shall be considered a majority.

"8—That these resolutions shall be reported to the several Boards of Directors, and if approved and sanctioned by them, shall be considered as binding upon the Institutions for *three months*, or till *twenty days'* notice shall be given by any one Bank to the contrary; or unless seven Banks shall at any time resolve to dissolve this association forthwith."

LOAN TO  
NEW YORK  
CITY

At a meeting of the Directors of the Bank of the Manhattan Company on October 3rd, 1814:

"The Board agreed to loan the Corporation of the City of New York 50,000 dollars, money being wanted by the Corporation for the defense of the City."

LOAN TO  
UNITED  
STATES

The Bank had already assisted the Federal Government. At a meeting of the Directors on March 12th in the previous year, the following letter to the Secretary of the Treasury was authorized:

"Sir:

You will see by the return of the subscription to the loan for 16,000,000 Dollars, that the Manhattan Company have subscribed \$400,000, which with the \$600,000 subscribed to the loan of last year is half their capital. This will circumscribe their banking operations, but you may be assured, Sir, that the Company have hazarded this for the purpose solely of aiding Government in the present situation of public affairs."

## CHARTERED 1799 BANK OF THE MANHATTAN COMPANY

### STATEMENT

JULY 1, 1914

#### RESOURCES

Loans and Discounts . . . . .	\$80,681,299.88
Bonds and Stocks . . . . .	6,663,690.25
Bank Premises . . . . .	900,000.00
Due from Banks . . . . .	2,229,280.06
Exchanges for Clearing House . . . . .	14,982,642.58
Cash . . . . .	15,153,240.49
	<u>\$70,560,103.26</u>

#### LIABILITIES

Capital Stock . . . . .	\$2,050,000.00
Surplus . . . . .	4,100,000.00
Undivided Profits . . . . .	622,710.63
Deposits:	
Individuals . . . . .	\$85,749,290.15
Banks and Trust Companies . . . . .	23,792,761.85
Savings Banks . . . . .	<u>4,245,340.63</u>
	<u>\$70,560,103.26</u>

#### OFFICERS

*President*  
STEPHEN BAKER

*Vice-Presidents*  
HENRY K. MCHARG      PIERRE JAY

*Cashier*  
D. H. PIERSON

*Assistant Cashiers*  
JAMES McNEIL      B. D. FORSTER

#### DIRECTORS

JAMES TALCOTT, <i>Merchant.</i>	JAMES SPREYER, <i>Spicer &amp; Company, Bankers.</i>
HENRY K. MCHARG, <i>Vice-President.</i>	WILLIAM SLOANE, <i>President, W. &amp; J. Sloane, Carpets.</i>
STEPHEN BAKER, <i>President.</i>	SAMUEL SLOAN, <i>Vice-President, The Farmers' Loan &amp; Trust Co.</i>
FREDERICK G. BOURNE, <i>Singer Manufacturing Company.</i>	PIERRE JAY, <i>Vice-President.</i>
R. W. PATERSON, <i>Paterson, Boardman &amp; Knapp, Importers.</i>	B. H. BORDEN, <i>M. C. D. Borden &amp; Sons, Commission Merchants.</i>
WILLIAM S. TOD, <i>Banker.</i>	WALTER JENNINGS, <i>President, National Fuel Gas Company.</i>

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